

## ADMINISTRATION AND FINANCE COMMITTEE

DATE: December 12, 2006

CALLED TO ORDER: 5:07 p.m.

ADJOURNED: 5:47 p.m.

### ATTENDANCE

#### Attending Members

Joanne Sanders, Chair  
Paul Bateman  
Vernon Brown  
Becky Langsford  
Lynn McWhirter  
Jackie Nytes  
Lincoln Plowman

#### Absent Members

### AGENDA

PROPOSAL NO. 596, 2006 - approves a transfer of \$6,400 in the 2006 Budget of the Cooperative Extension Service (County General Fund) to cover Character 01 shortages in the budget for fringe benefits

“Do Pass”

Vote 6-0

PROPOSAL NO. 618, 2006 - approves temporary tax anticipation borrowing, authorizing the City of Indianapolis to make temporary loans for the use of the Indianapolis Metropolitan Police Department Fund, the Consolidated City Fire Force Account and the Park General Fund, in anticipation of current taxes levied in 2006 and collectible in 2007

“Do Pass”

Vote 7-0

PROPOSAL NO. 619, 2006 - establishes an additional credit for taxpayers within the Near Eastside Housing Tax Increment Financing Area

“Do Pass”

Vote 7-0

PROPOSAL NO. 620, 2006 - approves a decrease of \$485,818 in the 2006 Budget of the Marion County, Center Township, Decatur Township, Franklin Township, Lawrence Township, Perry Township, Pike Township, Warren Township, Washington Township, and Wayne Township Assessors (Property Reassessment Fund) to ensure a zero fund balance as of the end of 2007

“Do Pass as Amended”

Vote 7-0

PROPOSAL NO. 635, 2006 - approves temporary tax anticipation borrowing, authorizing the Marion County to make temporary loans for the use of the County General Fund and the County Family and Children's Fund, in anticipation of current taxes levied in 2006 and collectible in 2007  
"Do Pass"

Vote 7-0

## ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, December 12, 2006. Chair Joanne Sanders called the meeting to order at 5:07 p.m. with the following members present: Paul Bateman, Vernon Brown, Lynn McWhirter, Jackie Nytes, and Lincoln Plowman. Becky Langsford arrived shortly thereafter.

PROPOSAL NO. 596, 2006 - approves a transfer of \$6,400 in the 2006 Budget of the Cooperative Extension Service (County General Fund) to cover Character 01 shortages in the budget for fringe benefits

Ron Hoyt, County Extension Director, said that the proposal is to cover shortages for fringe benefits such as disability, Public Employees Retirement Fund (PERF), and Social Security. The shortages are due to estimates that were not on target early in the year. Chair Sanders asked if the remainder of the budget will be on target. Mr. Hoyt answered in the affirmative.

Councillor Nytes moved, seconded by Councillor Bateman, to forward Proposal No. 596, 2006 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 618, 2006 - approves temporary tax anticipation borrowing, authorizing the City of Indianapolis to make temporary loans for the use of the Indianapolis Metropolitan Police Department Fund, the Consolidated City Fire Force Account and the Park General Fund, in anticipation of current taxes levied in 2006 and collectible in 2007

PROPOSAL NO. 635, 2006 - approves temporary tax anticipation borrowing, authorizing the Marion County to make temporary loans for the use of the County General Fund and the County Family and Children's Fund, in anticipation of current taxes levied in 2006 and collectible in 2007

Chair Sanders asked the Committee for consent to hear Proposal Nos. 618 and 635, 2006 together. Consent was given.

Kyle Willis, Project Manager, Indianapolis Bond Bank, distributed a handout (attached as Exhibit A). His discussion included the following key points regarding the Tax Anticipation Note Program:

- The program began in 1988, and to date, 36 semi-annual notes totaling approximately \$1.8 billion have been sold.
- The program was designed to alleviate cash-flow problems created by the collection and distribution of the property taxes.
- Sale of short-term notes with a six month maturity.
- The notes are issued for Marion County, City of Indianapolis, IndyGo, and the Indianapolis Marion County Public Library (IMCPL).
- Qualified entities (QE) are allowed to borrow up to 80% of approved property tax levy.
- Notes are to fund operations and cannot be used to cover shortfalls or gaps in budgets and are not used for debt financing.

- “Warrants” program is a cash management tool used by several different local government entities.
- Local Municipalities receive property tax distributions twice a year, and expenses are incurred daily.
- “Warrants” program allows QE’s to utilize revenues that have not been received.
- Proposal No. 618, 2006 approves the sale of notes for specified amounts for the Indianapolis Metropolitan Police Department Fund, the Park General Fund, and the Consolidated Fire Force Fund.
- Proposal No. 635, 2006 approves the sale of notes for specified amounts for the Marion County General Fund and the Marion County Family & Children Fund.

[Clerk’s note: Councillor Langsford arrived at this time, 5:13 p.m.]

Councillor Nytes asked if this does not have to be done for the Consolidated County Fund because it has enough cash flow due to non property tax revenues. Mr. Willis answered in the affirmative. She asked if this type of program is to be avoided, would a fund balance have to be on hand that would be equivalent to six months of spending. Mr. Willis answered in the affirmative.

Councillor McWhirter asked if an interest rate amount is known. Barbara Lawrence, Executive Director, Indianapolis Bond Bank, answered that there is a “not to exceed” amount that she believes is 8%.

Councillor Bateman moved, seconded by Councillor Brown, to forward Proposal Nos. 618 and 635, 2006 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 7-0.

PROPOSAL NO. 619, 2006 - establishes an additional credit for taxpayers within the Near Eastside Housing Tax Increment Financing Area

Mr. Willis distributed a handout (attached as Exhibit B). He said that the Near Eastside Housing Tax Increment Financing (HoTIF) was created earlier this year, as many areas were being uncared for or unused. The community had decaying sidewalks and curbs, abandoned housing, and empty lots. The TIF was created to protect the public health and welfare and to create jobs and stimulate economic development growth. His discussion included the following key points:

- Explanation of Property Tax Replacement Credit (PTRC).
- Guidelines for PTRC
  - Can only be provided by the Metropolitan Development Commission (MDC) if approved by the City County Council in the year before PTRC is provided.
  - Specific findings by which the Commission must provide for PTRC annually by resolution.
  - Commission may grant the credit in part or pro-rate if the tax increment is insufficient.

- PTRC Financial Info includes the current tax rate, the PTRC tax rate, and the net tax rate minus PTRC.
- Proposal No. 619, 2006 authorizes the MDC to provide each taxpayer in the Near Eastside HOTIF PTRC for 2007.

Councillor McWhirter asked why the TIF was set up in this area. Ms. Lawrence answered that the TIF was created earlier this year to enable the City to go and make much needed improvements to things such as infrastructure, roads, sidewalks, storm drains, etc. She said that with a HoTIF, the Council has to take an affirmative action to grant the PTRC, because the structure of a housing TIF is different than a normal TIF. If the Council does not grant the PTRC, those homeowners will not be eligible for the PTRC. Councillor McWhirter asked why a PTRC is being granted, as a TIF is already being done to improve the area. Ms. Lawrence answered that everyone in the county is receiving the PTRC, and the Bond Bank does not want the residents in the HoTIF area to be treated differently because the City has decided to make improvements in their area. She said that homeowners will not automatically receive the PTRC as everyone else because it is a TIF area.

Chair Sanders asked if the homeowners in this area will have to apply for the PTRC by a different process than other homeowners. Tom Pittman, Bond Counsel, Baker & Daniels, answered that it will automatically happen by the Council's approval of the proposal. Chair Sanders asked if the amount of residents that will be affected is known. Ms. Lawrence answered that she believes it to be approximately 3,600.

Councillor Nytes asked if PTRC for other homeowners across Marion County is funded from other sources of revenue. Ms. Lawrence answered that it is a distribution from the state. Councillor Nytes asked if the funds to finance the HoTIF area's PTRC will come from the same source. Mr. Pittman answered that it will come from the TIF, because the state has stipulations when granting PTRC credits, which include an area's inability to be a TIF district. He said that there is a presumption in the law that lost PTRC in general TIF districts will be restored to taxpayers from the TIF revenues. He said that would automatically happen in a regular TIF district, unless affirmative action is taken to deny the credit. The HoTIF law has a presumption that there will not be a PTRC granted unless affirmative action is taken to grant the credit.

Chair Sanders asked if action has to be taken annually as long as the HoTIF is in existence. Mr. Pittman answered in the affirmative.

Councillor Bateman asked for the geographical boundaries of the HoTIF area. Mr. Willis answered that it is bounded by Oriental Street on the west, Rural Street on the east, and 12<sup>th</sup> Street on the north, and Washington Street on the south.

Councillor Nytes asked if homeowners' tax bills go down because the State gives money to make up for property tax relief. Mr. Pittman answered in the affirmative. Councillor Nytes asked if no money is given for homeowners in the HoTIF area. Mr. Pittman answered that no money is given relating to taxes that are allocated pertaining to the TIF. He said that when the TIF goes into the TIF funds, it is TIF less the PTRC. Ms. Lawrence said that this concept was

taken into account in the calculations and assumptions that were made when TIF projections were examined.

Councillor Nytes moved, seconded by Councillor McWhirter, to forward Proposal No. 619, 2006 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 7-0.

PROPOSAL NO. 620, 2006 - approves a decrease of \$485,818 in the 2006 Budget of the Marion County, Center Township, Decatur Township, Franklin Township, Lawrence Township, Perry Township, Pike Township, Warren Township, Washington Township, and Wayne Township Assessors (Property Reassessment Fund) to ensure a zero fund balance as of the end of 2007

Kim Diller, Marion County Deputy Controller, distributed a handout (attached as Exhibit C) and said that the Reassessment Fund has a certain amount of revenue that comes in and expenses that exceed that revenue every year. She said that over the last few years, the Reassessment Fund balance has been declining. With the budget that was proposed for 2007, the Reassessment Fund will have a balance of \$0 if the reductions in 2006 are made. She said that there would have been a negative balance if the entire 2006 budget had been spent and the proposed 2007 budget had been approved as the Assessors originally requested. Ms. Diller said that she worked with the Assessors and asked them to create an underspending plan for 2006 and a revised request for 2007, which is reflected in the proposal. She said that she has provided an amendment (attached as Exhibit D) because fringe benefits were omitted from the forecasts that were prepared by the Assessors. Ms. Diller said that there is one township assessor that will have a shortfall if the amendment is not approved, because there is not enough in that township's budget. She said that she is asking to increase the Franklin Township Assessor budget by \$44,000 in Character 01, simply to ensure that all salaries and fringes will be covered to the end of the year. She said that she is also asking to increase the unappropriated and unencumbered fund balance in the property reassessment fund by \$485,818 to obtain a beginning balance for the 2007 budget ordinance, in order to get to a zero balance at the end of 2007.

Chair Sanders asked if the proposed amount will change. Ms. Diller answered that the amount that will be returned to the Fund balance will stay the same as what was originally proposed. By increasing the Franklin Township Assessor budget, other assessor budgets had to be reduced more than what was proposed. Chair Sanders asked if all Assessors will still have sufficient funds through the end of the year. Ms. Diller answered in the affirmative and said that Exhibit C shows the forecast used for Character 01 budgets. She said that she was attempting to only take what is needed to get to the zero balance. She said that there will be more underspending, and that will go back to fund balance.

Councillor McWhirter asked what will be done for 2008, when spending is still more than what is budgeted. Ms. Diller answered that there are a number of options that can be used, but one has not yet been determined. She said that some of the options include funding from the General Fund or the Reassessment Fund, or expenses can somehow be reduced.

Ms. Diller said that the forecasts in Exhibit C look at what has been spent year-to-date as of yesterday. She said that she estimated each assessor's remaining amount of expenses in the

Reassessment Fund and the General Fund based on the last three pay periods. The forecast also includes the current remaining budget and what was originally proposed for underspending. She said that some of the assessors' budgets still have positive balances at the end, which will go back into the fund balance.

Councillor Nytes asked if the revised underspending will come from salaries as shown in Exhibit C. Ms. Diller answered in the negative. She said that the underspending will be approved at a character level, and she will determine exactly what areas from which the amounts can be deducted.

Ms. Diller said that some assessors' budgets have a positive balance in one fund and a negative balance in another fund. This will require the Auditor's Office to have to re-post some expenses from one fund to another. She said that she will work with them to coordinate that effort, but none of these changes will prevent the Assessors from providing the planned services for the rest of the year.

Chair Sanders asked if the forecasted balances in Exhibit C reflect amounts after the amendment to the proposal. Ms. Diller answered in the affirmative. She said that no change was made to an assessor's budget if there is no revised underspending or additional appropriation shown in Exhibit C.

Councillor Nytes said in reference to Decatur Township, Exhibit C shows that their proposed underspending amount is \$35,000 and the revised underspending amount is \$23,000. She asked if that is in addition to the \$35,000, or instead of the \$35,000. Ms. Diller answered that it is \$23,000 rather than \$35,000.

Councillor Nytes moved, seconded by Councillor Brown, to amend Proposal No. 620, 2006 as represented in Exhibit D. The motion carried by a vote of 7-0.

Councillor Nytes reiterated Councillor McWhirter's concern for the 2008 budget. She said that it has been demonstrated that it is taking extreme fine tuning and close management to get the City through 2006 and 2007, and that there will be some problems if this kind of very careful management is not available. She said that she believes that a more efficient way to get these functions performed must be determined, or it may result in tax increases.

Councillor Brown asked if the Assessors that are present support the amendment. Ms. Diller stated that all the Assessors supported the proposal as originally presented. However, she informed everyone as to the changes that were being made in the amendment, and some of the Assessors responded that they were not in agreement, while others were in agreement.

Councillor Brown asked which Assessors are present. Assessors in attendance included Becky Williams, Franklin Township; Jason Holliday, Decatur Township; and Paul Ricketts, Lawrence Township.

Ms. Diller said that if the Council does not approve the proposal, Franklin Township will not be able to pay their Character 01 expenses through the rest of the year. Any underspending that occurs will go back to the fund balance and will be available for next year. She said that, however, if the budget is not reduced by the \$485,818, the Department of Local Government and Finance (DLGF) will not approve the 2007 budget as proposed, because the cash will not be available to support it. Ms. Diller said that her main concern is that Franklin Township is able to get their Character 01 paid.

Becky Williams said that she received emails from Ms. Diller stating that fringes are not to be changed, but two of the Township Assessors changed their fringes, and the revised figures were not used.

Councillor Bateman moved, seconded by Councillor McWhirter, to forward Proposal No. 620, 2006 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 7-0.

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 5:47 p.m.

Respectfully submitted,

Joanne Sanders, Chair  
Administration and Finance Committee

JMS/nsm